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SUBJ: AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT (AIFLD)

1. SUMMARY. AS AGREED BETWEEN AIFLD AND AID LAST JANUARY, THIS MISSION HAS JUST COMPLETED A SEARCHING REVIEW OF AIFLD PROGRAM IN URUGUAY. THE COUNTRY TEAM HAS CONCLUDED THAT AN ENVIRONMENT CONDUCIVE TO FREE LABOR DEVELOPMENT DOES NOT PRESENTLY EXIST IN URUGUAY AND IS UNLIKELY TO IN THE FORESEEABLE FUTURE. OUR BEST INTELLIGENCE ESTIMATES ARE THAT AS DIRECT MILITARY CONTROL OVER THE GOU INCREASES, RESTRICTIONS ON LABOR UNION ACTIVITIES WILL ALSO INCREASE. ACCORDINGLY, THE COUNTRY TEAM CONCLUDES THAT IT IS NOT IN THE LONG-TERM INTERESTS OF THE U.S. NOR OF THE DEMOCRATIC UNION MOVEMENT TO CONTINUE THE AIFLD PROGRAM IN URUGUAY. IT REQUESTS AID/W ACTION BE TAKEN TO TERMINATE AIFLD ACTIVITIES HERE NO LATER THAN AUGUST 31, 1974.
END SUMMARY.

2. CURRENT ASSESSMENT OF THE URUGUAYAN LABOR SITUATION:
THE JULY 1973 DECREE OUTLAWING THE COMMUNIST-DOMINATED CNT ? 747&7-6'S LARGEST LABOR CONFEDERATION, WAS FOLLOWED N AUGUST 1973 BY A NEW LABOR DECREE WHICH, IN EFFECT, WITHDREW LEGAL RECOGNITION OF ALL LABOR UNIONS AND ESTABLISHED A REGISTRATION AND ELECTION PROCEDURE
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BY WHICH UNIONS COULD OBTAIN LEGAL STATUS FROM THE

MINISTRY OF LABOR. THE GOU, IN AUGUST AND SEPTEMBER, UNDERTOOK AN ACTIVE PROGPAGANDA CAMPAIGN TO SPUR REGISTRATION OF DEMOCRATIC WORKERS. THIS PROPAGANDA EFFORT WAS HASTILY ABANDONED AND THE REGISTRATION DEADLINE POSTPONED INDEFINITELY AFTER AN ELECTION IN THE UNIVERSITY, CARRIED OUT IN OCTOBER UNDER STRICT RULES OF BALLOT SECRECY, RESULTED IN A VICTORY FOR THE INCUMBENT MARXIST LEADERSHIP. SINCE THEN, THE REGISTRATION CAMPAIGN HAS QUIETLY CONTINUED WITH DEMOCRATIC UNION REGISTRATIONS SHOWING GAINS ALTHOUGH STILL BEHIND THOSE OF THE EX-CNT UNIONS. AS OF MAY 31, DEMOCRATIC UNIONS HAD REGISTERED 29,000 AFFILIATES, WHILE THE EX-CNT UNIONS HAD REGISTERED 37,000 AFFILIATES. THE TOTAL REGISTRATION TO DATE, SOME 67,000 REPRESENT A SMALL FRACTION OF WHAT (IN SPITE OF SOME INFLATED MEMBERSHIP CLAIMS) WAS CONSIDERED TO BE ORGANIZED LABOR'S STRENGTH IN THE PRE-JUNE 1973 PERIOD, A FACT WHICH CLEARLY INDICATES THAT THE VAST MAJORITY OF URUGUAYAN WORKERS ARE SHUNNING ANY UNION ASSOCIATION AT THIS TIME. THE GOU HAS GIVEN NO INDICATION WHEN IT INTENDS TO PERMIT ELECTIONS OR EXTEND LEGAL STATUS TO UNIONS. THE MINISTER OF LABOR HAS REITERATED TO EMBASSY OFFICERS THE GOU'S INTEREST IN THE DEVELOPMENT OF AN ACTIVE LABOR MOVEMENT ALBEIT UNDER STRICT NEW "RULES OF THE GAME" TO BAR THE PARTICIPATION OF ANY MARXIST OR EX-CNT LEADER IN UNION ACTIVITIES. WHILE THE GOU HAS SO FAR NOT DEFINED THESE NEW RULES OF THE GAME, IT HAS TAKEN CERTAIN STEPS WHICH HAD THE EFFECT OF ENCOURAGING DEMOCRATIC UNION LEADERS. IT RECENTLY AUTHORIZED THE CONVENING OF A CONGRESS, THE DEMOCRATIC UNION CONFEDERATION, AT WHICH A NEW CONSTITUTION WAS ADOPTED, NEW OFFICERS ELECTED, AND A NEW IMAGE FOSTERED BY CHANGING ITS NAME TO CONFEDERACION GENERAL DE TRABAJADORES DEL URUGUAY (CGTU). THE GOU, HOWEVER, CAREFULLY PRESCRIBED WHAT ACTION THE CONGRESS COULD OR COULD NOT TAKE AND BANNED ANY PUBLICITY. THE GOU ALSO INCLUDED TWO DEMOCRATIC LABOR LEADERS (ONE THE PRESIDENT OF CGTU) IN ITS DELEGATION TO THE CURRENT ILO CONFERENCE IN GENEVA. DESPITE THESE POSITIVE DEVELOPMENTS, UNIONS IN URUGUAY FACE SEVERE RESTRICTIONS. WITHOUT LEGAL STATUS, THEY CANNOT OBTAIN FINANCES

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THROUGH A DUES CHECK-OFF SYSTEM, THEY CANNOT UNDERTAKE FINANCIAL TRANSACTIONS NOR OFFICIALLY DEAL WITH GOU AGENCIES. MOST IMPORTANT, HOWEVER, THEY HAVE NO RIGHT TO STRIKE, CANNOT PUBLICIZE THEIR ACTIVITIES AND, SINCE WAGE SCALES ARE SET BY CPRIN (THE GOU PRICE AND WAGE BOARD) THEY CAN ONLY BARGAIN WITH MANAGEMENT OVER HOURS, WORKING CONDITIONS, SOME FRINGE BENEFITS AND GRIEVANCES. DEMOCRATIC UNION LEADERS TRY TO

CONTINUE THEIR NORMAL ACTIVITIES THE BEST THEY CAN, BUT DO OPERATE UNDER RESTRICTIONS AND AT THE SUFFERANCE OF THE GOU. MINISTER OF LABOR BUGALLO, RUMORED TO BE REPLACED IN THE IMPENDING CABINET SHUFFLE, HAS TERMED THE PRESENT PERIOD AS ONE OF "TRANSITION" DURING WHICH THE MRXIST ELEMENTS ARE BEING ELIMINATED FROM UNION ACTIVITY SO THAT A "DEMOCRATIC UNION MOVEMENT MAY EMERGE AND FUNCTION".

3. THE ISSUES. THIS MISSION CONSIDERS A KEY ISSUE TO BE WHETHER AN APPROPRIATE ENVIRONMENT EXISTS OR IS LIKELY TO EXIST IN THE FORESEEABLE FUTURE CONDUCTIVE TO THE ATTAINMENT OF AIFLD'S GOAL--THE DEVELOPMENT OF A FREE DEMOCRATIC UNION MOVEMENT. WE REGRETTABLY HAVE CONCLUDED THAT SUCH AN ENVIRONMENT DOES NOT PRESENTLY EXIST, THAT IT IS NOT LIKELY TO EXIST IN ANY FORESEEABLE FUTURE; AND, THAT THE GOU WILL NOT SOON PERMIT UNIONS TO ENJOY EVEN THOSE MINIMUM RIGHTS ESSENTIAL TO SUCH DEVELOPMENT. ACCORDING TO OUR BEST INTELLIGENCE, AS THE MILITARY CONTINUES TO INCREASE ITS DIRECT CONTROL OVER THE GOVERNMENT, THE LIKELIHOOD IS FOR MORE RESTRICTIONS OVER LABOR RATHER THAN FOR MORE FREEDOM. THEY WILL PERMIT ONLY SUCH LABOR UNION ACTIVITIES THAT DO NOT CAUSE THEM PROBLEMS OR INTERFERE WITH GOU ECONOMIC, SOCIAL, OR POLITICAL OBJECTIVES. THERE IS A POSSIBILITY THAT WHEN THE GOU DOES DEFINE THE NEW "RULES OF THE GAME" FOR UNIONS, ONE OF THESE WILL BAR FOREIGN FINANCIAL SUPPORT FOR UNIONS. WHILE DESIGNED TO CUT OFF COMMUNIST MONEY, SUCH A RULE COULD AFFECT AIFLD AND ITS ACTIVITIES AS WELL.

4. ANOTHER MORE BASIC ISSUE IN WHETHER OR NOT IT IS IN THE LONG-TERM U.S. INTEREST FOR AIFLD(AID) TO

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CONTINUE TO BE VIRTUALLY THE SOLE SOURCE OF FINANCIAL SUPPORT AND BACKSTAGE GUIDANCE FOR A NON-MARXIST (AND NON-FREE) UNION MOVEMENT OPERATING UNDER CONTROLLED CONDITIONS. SUCH A MOVEMENT, TO THE EXTENT THE CGTU IS PERMITTED TO FUNCTION AND SERVE AS A SPOKESMAN FOR ORGANIZED LABOR, WOULD REPRESENT ONLY A FRACTION OF POTENTIAL UNION MEMBERSHIP. IT WOULD ALSO BE CONSIDERED A CAPTIVE LABOR MOVEMENT FUNCTIONING AT GOU SUFFERANCE. ITS REAL RAISON D'ETRE WOULD NOT BE THAT IT HAD GAINED THE VOLUNTARY SUPPORT OF URUGUAYAN WORKERS IN OPEN ORGANIZING COMPETITION BUT THAT GOU REPRESSION HAD ELIMINATED ITS OPPOSITION.

5. SINCE WE ANTICIPATE THE EVENTUAL RESTORATION OF FULL PARTICIPATORY DEMOCRACY IN URUGUAY, WE BELIEVE THAT

THE SUCCESS OF ANY SUCH CONFEDERATION AND ITS LEADERS WOULD BE MORE APPARENT THAN REAL UNDER CONTROLLED CONDITIONS AND THAT IT WOULD BE LIKELY TO BE REJECTED BY MOST WORKERS ONCE UNIONS' FREEDOM TO ORGANIZE AND FUNCTION BECOME GENERAL. THEREFORE WE BELIEVE THAT U.S. LONG-TERM INTERESTS IN URUGUAY-- AND INDEED THE INTERESTS OF THE DEMOCRATIC LABOR MOVEMENT ITSELF--WOULD NOT HAVE BEEN SERVED BY AIFLD/AID SUPPORT FOR SUCH A MILITARY-DOMINATED, "MADE IN U.S.A." CONFEDERATION.

6. TERMINATING AIFLD SUPPORT TO THE CONFEDERATION IS NOT EQUIVALENT TO ABANDONMENT OF THE LABOR FIELD TO THE MARXISTS SINCE, OVER THE SHORT AND MEDIUM TERM, IT IS CLEAR THAT THE GOU, WITHOUT ANY PROMPTING FROM US, WILL MAKE EVERY EFFORT TO ELIMINATE THEIR PARTICIPATION IN UNIONS, OR, FAILING IN THAT, SUPPRESS THE TRADE UNION MOVEMENT ENTIRELY.

7. WE RECOGNIZE THAT OUR DEMOCRATIC TRADE UNION FRIENDS HERE MAY NEED SOME HELP IN TRAINING LEADERS OR IN OTHERWISE STRENGTHENING THEIR UNIONS. THIS MISSION REMAINS OPEN MINDED TO SUGGESTIONS OF NEW MEANS BY WHICH THIS CAN BE DONE. A POLITICAL/LABOR OFFICER WILL SOON ARRIVE AT THIS EMBASSY, THE ITS OR UNION-TO-UNION PROGRAM MAY OFFER OPPORTUNITIES WHICH WE WOULD WANT TO CONSIDER ON A CASE-BY-CASE CONFIDENTIAL

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BASIS.

8. RECOMMENDATION: THE COUNTRY TEAM, ON THE BASIS OF THE ABOVE CONSIDERATIONS, HAS UNANIMOUSLY ARRIVED AT THE JUDGMENT THAT THE AIFLD PROGRAM IN URUGUAY BE TERMINATED AND THAT PHASE OUT BE COMPLETED NO LATER THAN AUGUST 31, 1974. WE REQUEST APPROPRIATE AID/W ACTION TO THIS END.
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